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JUNE 1959

MONTHLY REVIEW

AN INDEPENDENT SOCIALIST MAGAZINE

JOHN FOSTER DULLES

THE EDITORS

**THE TRAGEDY OF
LATIN AMERICAN OIL**

HARVEY O'CONNOR

VOL. 11

2

Faith, Hope, and Advertising

J. WALTER BATTEN RUBICANT

EDITORS . . . LEO HUBERMAN . . . PAUL M. SWEEZY

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NOTES FROM THE EDITORS

We are happy to be able to announce that we have successfully concluded negotiations for MR Press to bring out an American edition of *Conviction*. This book, which appeared in London last year under the editorship of our good friend Norman MacKenzie of the *New Statesman*, is a sort of manifesto of an important component of what is sometimes called the "new Left" in Britain. The authors, whose average age was 35 when the book was written, are all members of the Labor Party and are dedicated to the task of turning that party into an instrument of genuine socialism. *Conviction* is at once a penetrating critique of the Welfare State and a search for a sound theoretical basis for a new advance of British socialism. In the concluding words of Iris Murdoch: "The Welfare State marks the successful end of the first road along which the Socialist movement in this country elected to travel. It is time now to go back and explore the other road, to go back to the point of divergence, the point not so very far back at which we retained as a living morality ideas which were common to Marx and William Morris." The book has made a deep impression in Britain—even the conservative *Economist* calls it "the most stimulating, heartening and intelligent manifesto to come from the Left in a very long time indeed"—and we believe that what the authors have to say is as important for Americans as it is for their own countrymen. In addition to Norman MacKenzie and Iris Murdoch, the contributors are Brian Abel-Smith, Nigel Calder, Richard Hoggart, Paul Johnson, Mervyn Jones, Peter Marris, Peter Shore, Hugh Thomas, Peter Townsend, and Raymond Williams. The MR edition of *Conviction* will be
(continued on inside back cover)

JOHN FOSTER DULLES

The principle of speaking nothing but good of the departed is all right when applied to private individuals, but when it comes to public personalities it has no claim to acceptance whatever. Not in a country with any pretense to democracy at any rate, for in such a society when a man takes public office he enters into a sort of tacit contract with the people he is supposed to serve. And two of the main clauses of the contract are that they have a right to criticize him while he is in office and to judge his record after he retires. The more seriously democracy is taken, the more this right becomes a duty.

As usual the press in this country is showing that it does not take democracy very seriously. John Foster Dulles is certainly the most controversial American figure of the 1950s. As Secretary of State for six fateful years, he eagerly grasped every lever of power within his reach and willingly assumed responsibility for shaping and directing the foreign policy of the United States. The record of that policy has been one of virtually uninterrupted failure. Specific and repeated defeats have punctuated a process of steady decline in America's power, influence, and moral standing in the world. And yet when Dulles resigned last month, the press heaped praise on his head, mourned his departure from office, and shamelessly abdicated the democratic duty to evaluate and pass judgment.

There are two main counts against Dulles's performance as architect of United States foreign policy. First, his aims were historically obsolete and humanly monstrous. Second, he persisted in a course which was failing in its own terms—and for this very reason pushing the world toward the ultimate disaster of atomic war—long after the need for an “agonizing reappraisal” (his own phrase but in what a different context!) should have been obvious to a man of genuine intelligence as distinct from mere cleverness.

As to Dulles's ends, repeated apologetic pronouncements have created confusion where a dispassionate study of the public record could hardly fail to produce unblurred clarity. Our policy under his direction, said the *New York Times* in an editorial on April 16th, “has sought without deviation a new birth of freedom under God—and this in the true Lincolnian sense, if not in the Lincolnian man-

ner." What a libel on the good name of Lincoln! And what a fantastic distortion of reality! There has been no mystery about what Dulles wanted from the very beginning of his diplomatic career in the years immediately following World War I. He wanted to strangle in its cradle the socialist revolution of the 20th century which began in Russia in 1917 and took a great stride forward in China three decades later. He wanted to restore the old order of imperialist domination and colonial slavery. Both aims were expressed in classic form in a scheme of the early 1920s, of which Dulles was the principal author, to carve up Russia into a number of protectorates of the Western imperialist powers. Both show through with unashamed nakedness in his warm support of the fascist Rome-Berlin Axis in the later 1930s: in those days, Hitler and Mussolini had no more influential apologist in the United States than John Foster Dulles. And both aims finally found their embodiment in America's latter-day foreign policy of "liberation" for Eastern Europe, "unification in freedom" for Germany, non-recognition of revolutionary China, and all-out support for the putrescent regime of Chiang Kai-shek. A new birth of freedom under God indeed!

As to Dulles's persistence in a course of failure, it is sufficient to recall the oft-reiterated assumptions on which the whole structure of his policy was explicitly founded. Communism, being contrary to the laws of God and man, must sooner or later fall. Confront the Communist bloc with overwhelming military strength, subject it to ruthless political pressure, and it would be bound to weaken, retreat, and eventually submit to the dictation of the inherently stronger capitalist alliance. "In China," Dulles wrote in 1950, "the Communist rulers will not be able to solve the economic and social problems of the country or to realize the hopes which their propaganda has aroused. There will be great discontent because of economic failures and because of the coercion and terrorism of a police-state government." (*War Or Peace*, pp. 230-231.) Now, less than a decade later, the whole world knows that the New China has accomplished feats of economic development unprecedented in human history, has aroused the enthusiasm and mobilized the energies of by far the most numerous people on earth. And yet America's China policy remains unchanged, waiting for economic failures that never come and grooming the pitiful remnants of a discredited regime to capitalize on discontents which, to the extent that they still exist, daily lose in political relevance.

But there is no need to labor the point. Everywhere you look—in Asia, in the Middle East, in Africa, in Latin America—both the bankruptcy and the rigidity of American policy are obvious. Even in Europe, where the United States' only strong and reliable allies are located, the Dulles policy has reached the dead end of a blind alley: as we argued in last month's Review of the Month, the only alternatives now are to scrap the whole approach and return to the Roosevelt policy of negotiating a settlement of World War II with the Soviet Union, or else to witness a rapid decline in America's power to influence the shape of events in Europe. But this is merely one facet of a general condition: everywhere the alternative is either to abandon Dullesism altogether or to suffer the mounting frustrations and isolation which are sure to be the consequence of deepening failure.

Under the circumstances, the best that can be said for Dulles is that he merely carried on policies which were actually conceived and put into operation by Messrs. Truman and Acheson before him. Such as it is, the case certainly does not lack a certain validity. In all essentials the policies of Secretary of State Dulles had also been the policies of Secretary of State Acheson: so much is undoubtedly true. But the force of the argument, insofar as it may tend to relieve Dulles of historic guilt for the consequences of his official acts, is gravely weakened by two considerations. First, as official adviser to the State Department and chief Republican spokesman in a period of thoroughgoing bipartisanship, and also as a leading diplomatic representative of the United States (especially in connection with the drafting of the Japanese peace treaty), Dulles was overtly and obviously co-responsible for shaping foreign policy under the second Truman administration. Second, there is, as I. F. Stone persuasively showed in his *Hidden History of the Korean War*, good reason to suppose that Dulles, operating under cover of night and cloud, played a leading role in plotting and precipitating the Korean War, which in turn put an abrupt stop to a gradual drift toward sanity in America's China policy. To the extent that this was so, Dulles himself, and not Acheson and Truman, must be regarded as the true author of the disastrous policies which as Secretary of State he later inherited from them. Dulles, arguing his case before the bar of history on the ground that he merely continued what his predecessors had begun, would be a little like the boy who shot his father and then pleaded in extenuation the fact that he was an orphan.

Not that the guilt of Dulles exonerates Acheson and Truman. They were all willing accomplices in the planning and execution of United States foreign policy during the crucial early years of the cold war, and as is so often the case it is difficult, perhaps impossible, to judge the exact degree of responsibility of each one individually. Dulles was more conscious of his purpose, more determined and single-minded in pursuing it, more diabolical in his choice of methods. It may be argued that these qualities make him *more* guilty; it certainly cannot be argued that they make the others innocent. In the fullness of time history will assuredly deal severely with the whole triumvirate—and with their numerous collaborators in the sorry and tragic business of trying to dam up the forces making for a more rational social order—an attempt that can succeed only in the ironic sense of making the transition infinitely more violent, painful, and dangerous than it need have been.

But wait a moment, you may say. What is this talk of the historic guilt of individuals? How can it be said that their actions and policies make a transition more or less difficult? Are they not acting as mere representatives of their class? And are their policies, however irrational and tragic, not the expression of class interests and class ideologies, and as such an *integral part* of the transition? Did Dulles ever have any real choice—except to be or not to be Secretary of State? Does not the undoubted fact that the policies which he, a Republican, authored coincided in all essentials with those of his Democratic predecessors prove that the fault lay not in the men but in the stars, that is to say, in the system which formed them and the historic situation in which they found themselves?

Let us admit at once that there is much validity in the theoretical position which underlies questions such as these. In a sense, indeed, it is the position from which Marx wrote *Capital* and which he described in the preface to the first edition as follows:

To prevent misunderstanding, a word. I paint the capitalist and the landlord in no sense *couleur de rose*. But here individuals are dealt with only in so far as they are the personifications of economic categories, embodiments of particular class relations and class interests. My standpoint, from which the evolution of the economic formation of society is viewed as a process of natural history, can less than any other make the individual responsible for relations whose creature he socially remains, however much he may subjectively raise himself above them.

And yet, like any other short statement, this one certainly does

not provide anything like an exhaustive statement of Marx's "stand-point." When he wrote about specific episodes in history, about statesmen and politicians and their role in shaping the course of events, he never dealt with individuals *exclusively* as "personifications of economic categories, embodiments of particular class relations and class interests." Not everything they do is foreordained by objective circumstances over which they have no control. What is determined for them is the range of alternatives within which they can maneuver and choose. It may be a very narrow range, but within it they are free to make their decisions and must be held accountable for the consequences. So that Marx, in denouncing or praising historic figures, in apportioning guilt or credit, is not simply adopting a *façon de parler*, a literary form of analyzing class forces and judging social systems. He is also affirming that individuals are not mere puppets but have a role to play in history—a restricted one, to be sure, but nonetheless genuine—and that to judge them in moral terms is not only meaningful but necessary.

This seems to us to be the most fruitful way of looking at the role of the individual in history. He is *both* an embodiment of forces over which he has no control *and* a free agent determining within varying limits how those forces work themselves out. Dulles is an excellent example and illustration. It is quite inevitable that he should oppose the rise of the new and more rational socialist form of society: in doing so he obviously represented the interests and views of his class which, after all, is the chief beneficiary of the old order that is being replaced. To speak of Dulles's guilt in this context is in fact a *façon de parler*; what is really meant is the guilt of capitalism and of the American ruling class as its chief champion and defender. But the rise of socialism can be opposed in various ways which are more or less compatible with the real long-run interests of the American ruling class. It was not inevitable that Dulles's policies should be adopted, still less that they should be persisted in long after their failure was, or should have been, obvious to anyone of normal perceptivity and intelligence. To speak of Dulles's guilt in *this* context is much more than a figure of speech; it is to attribute to him responsibility for failures, untoward consequences, perils which someone else, pursuing different policies, might have prevented or avoided.

To be sure, we must beware of going too far. The range of choice open to an American Secretary of State today is limited not only by the interests of the ruling class to which he must belong, but also

by the ability of the class to *recognize* its interests and to *understand* how they can be effectively promoted in the international arena. One of the main themes of our Review of the Month in last month's issue was precisely that this capacity to recognize and understand has been gravely impaired because of the necessity to develop an ideology justifying the cold war, which in turn has become the essential crutch of the capitalist economy. If, as this analysis may be taken to imply, the American ruling class is going to impose on every Secretary of State the overriding duty of keeping the cold war going, then the range of choice open to him is narrow indeed. On this interpretation, Dulles's failures should perhaps rather be accounted successes, and his guilt should be borne entirely by the system and the class that found in him so tireless and faithful a servant.

We are not yet prepared to go so far as this. It is certainly true that in recent years the American ruling class has seemed decreasingly capable of understanding what goes on in the world, and it has shown no disposition whatever to find a substitute for the cold war as a crutch for the domestic economy. But it is too early to draw final conclusions from these facts. Dulles and others of his ilk have played a not inconsiderable role in inducing this state of befuddlement; as the failure of their policies becomes increasingly palpable, it may be that a greater willingness to listen to wiser counsel will develop. There are already a few voices of sanity speaking to the ruling class from within—most notably Walter Lippmann—and their number and influence may rise as time goes by. Above all, the shocks still in store for this country from the great successes which the socialist world is certain to achieve in the years ahead—successes which will make the first launching of a sputnik look picayune by comparison—may have an awakening and clarifying effect out of all proportion to anything that has been experienced up to now.

We do not say that these things will happen, only that they are conceivable and appear to be within the realm of possibility. But this raises another question: Suppose the American ruling class does wake up to what is happening in the world, is there any way to keep the capitalist system going without cold war?

In theory, there is, of course. A combination of political and social reforms, greatly increased public spending for welfare purposes, and generous aid to underdeveloped countries—a new New Deal, but on a far larger scale than the old New Deal—could take the place of cold war as a prop to the economy. To accompany it

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there would of course have to be a new Good Neighbor foreign policy—also on a far larger scale than during the 1930s. Cold war is both a domestic and a foreign policy, and New Dealism has to be too if it is to have the slightest chance of working. (This is something that the present generation of liberal Democrats and labor leaders simply don't understand, and unless or until they do they will have no claim to be considered the true heirs of Roosevelt's New Deal.)

You may recall that after the United States entered World War II, FDR dismissed "Dr. New Deal" and called in instead "Dr. Win-the-War." His purpose was, by means of a homely metaphor, to make clear to the man in the street certain changes of policy which were required by the new circumstances. But the figure of speech really cuts much deeper than he intended. The patient, American capitalism, was already very sick. For nearly ten years Dr. New Deal had kept him alive, but not much more. Dr. Win-the-War did much better, or appeared to, and when he retired from the scene in 1945 it seemed as though a full recovery had been achieved. But not for long. In a few years Dr. Cold War took over and emulated the methods of his predecessor. The results again seemed good—for a while. But we are now getting to a point where more and more people can see that the remedies administered by Dr. Cold War are more likely in the long run to kill than cure. The time is coming when a new doctor will be needed. Fortunately or unfortunately, there is only one around, our old friend Dr. New Deal, out of a job ever since 1941.

The patient, or at least the present head of his household, does not like Dr. New Deal and finds the medicine which he prescribes both bitter and expensive. The question is whether Dr. New Deal will ever be summoned again and commissioned to see the patient through a tolerable old age, or whether the patient will prefer to chance the agonies and possible violent end that continued addiction to the nostrums of Dr. Cold War promises.

We don't know the answer, and unfortunately the manner of Dulles's departure from the political stage does not help us to find a clue. That he leaves because of an incapacitating illness is a great pity, both for him and for everyone else. It would have been so much better and so much more hopeful for the future if he had been forced out of office because of the failure of his policies—and had been granted many years of healthy retirement in which to ponder his miscalculations and mistakes.

(May 12, 1959)

THE TRAGEDY OF LATIN AMERICAN OIL

BY HARVEY O'CONNOR

The international oil companies are cashing in on the economic anguish of Latin America to snuff out the threat to their world dominion posed by the rise of successful nationalized oil enterprises.

To avoid the cry that this is naked United States imperialism crushing a promising development in economic independence, the big oil companies are using the International Monetary Fund. Behind the shield of this United Nations agency, born in Bretton Woods back in 1945, the world cartel is breaking the back of sensationally successful national oil companies in Argentina and Bolivia. Their next target is Brazil, potentially the most promising of all countries south of Venezuela for petroleum.

Every country of Latin America, save perhaps Venezuela, is in economic distress. Their raw materials—tin, lead, copper, sugar, bananas, cacao, beef, wool, hides—are pumped out at low prices to feed the highly-industrialized nations of the West; in turn they have to buy the machinery and industrial goods they need at the West's "administered" monopoly prices. In this scissors, their economies are bled white. In desperation they turn to the International Monetary Fund for relief, for loans to pay off their debts to the West. The guardians of the Fund, from their headquarters in Washington, send out teams of experts to advise the Latins, bankrupted by Western cupidity, on how they may survive.

The Monetary Fund's advice, always, is "austerity." This is achieved by balancing the budget at the expense of health, welfare, and education, by "tightening the belt" around already shrunken bellies, by sharply increasing prices of food in order to cut consumption (a device more cruel than the well-fed here in the United States can readily imagine). And is there any potential wealth around that needs development? The sharp-eyed Monetary Fund experts can smell oil ten thousand feet underground. This must immediately be exploited—and guess by whom?

Harvey O'Connor, author of MR Press book The Empire of Oil, is now writing a second volume devoted to oil in the Middle East and Latin America. He has just returned from a four-month survey trip to Latin America.

I

By no means imagine that the task of the Monetary Fund experts is easy. They work hard their monetary miracles to perform. Consider Argentina, for example. Here is a country in typical bankruptcy; the peso, once worth 42¢, is now quoted at 1¼¢. This results in the main from the operation of the classical economic scissors—meat, hides, and grain sold cheap, imported goods bought high—not to mention the extensive looting job perpetrated by the Perón dictatorship. The Argentine people yearn for the standard of living they see in the Hollywood movies and resent very much the fact—so startling to the innocent in imperialist economics—that Argentine beef is cheaper in Britain than in Argentina. The people, highly literate, know the facts of life and thus present a rather tough problem for Monetary Fund experts. It is easy to prescribe the nostrum, rather difficult to make the patient swallow it.

How the Monetary Fund, fronting for the international oil companies and the State Department, forced the patient to swallow his medicine without vomiting must remain one of the classic operations of the age. After ten years of Peronism, the Argentine people emerged in 1955 into some kind of freedom, carefully chaperoned by a military junta. There came the time when the people themselves were to be permitted to vote for the candidate of their choice. Who more suitable than Dr. Arturo Frondizi, an eloquent opponent of Yankee imperialism, author of *Petroleum and Politics*, a scathing attack on the operations of the world oil cartel? His burning pamphlet, *The Anti-Imperialist Struggle*, was a catechism of his campaign under the banner of the intransigent Radical Party. Dr. Frondizi received the votes not only of his own party, but of the Peronist "social justicialists" who were barred from the ballot, and the Communists. He was swept into office. What is not generally known is that Frondizi, while campaigning for the presidency, was conferring secretly with representatives of United States oil companies on the terms for turning over Argentina's underground wealth to them.

Once securely in office and backed by the bayonets of pampered Army officers, this paladin of anti-imperialism signed contracts with a dozen foreign oil companies, yielding to them for twenty to forty years proved oil reservoirs as well as great tracts of prospective oil lands. He also inaugurated an "austerity" campaign which has driven prices of meat, bread, and utilities sky-high. In return, the Monetary Fund, the Export-Import Bank, the United States

Treasury, and various Wall Street banks lent Argentina \$329 million. But not a penny of these millions will reach Buenos Aires. They are merely bookkeeping millions, transferred in New York from one side of the ledger to the other—new loans to pay off old.

To most Argentines, it is unforgivable that Frondizi has handed over to foreign firms vast oil reserves ready for exploitation. For it is not as if Argentina knew nothing of her resources and was unable to develop them. Back in 1907, settlers drilling for water in the Patagonian desert discovered what is now the Comodoro Rivadavia field, the country's biggest producer. Thereupon Yacimientos Petroliferos Fiscales (Government Oil Fields, known for short as YPF) was formed. Somewhat later gas production was put under Gas del Estado. The genius behind Argentina's entry into oil production was General Enrique Mosconi, an early apostle of national self-reliance in the exploitation of natural resources. Through all the vagaries of Argentine politics, YPF has continued to expand production, opening important new fields near the Bolivian frontier and along the Andes' flanks. Indeed, that is the trouble: Argentina suffers not so much from lack of oil as from having so much that it tempts the cupidity of the world cartel.

Under Perón's weird financial shenanigans, YPF was unable to finance the construction of pipe lines from the new oil fields to Buenos Aires; and that, in short, is why the nation is spending some \$250 million a year for imported oil. It was upon this figure that the monetary experts from New York seized. It was about equal to the deficit in Argentina's balance of payments. The solution was obvious—hand over Argentina's oil to foreign interests for speedy development, and the balance of payments would right itself within a few years.

There was the troublesome business that both the Constitution and the law forbade foreign oil concessions, and that the people were firmly for both. Actually, Perón fell when he tried in 1955 to give half of Patagonia to Standard Oil of California; even his own party turned on him then. President Frondizi cut the Gordian knot by signing, not concessions, but contracts with Standard of New Jersey, Shell, Standard of Indiana, Union Oil (and even the Loeb, Rhoades banking house in New York), for terms ranging from 20 to 30 years. The oil was to be sold to YPF, thus preserving some kind of legal fiction that YPF and the nationalization law were both being honored. The contracts provided for various sliding scales of

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payment so complicated and varied as to defy close analysis.

Julio V. Canessa, until a few weeks ago head of Gas del Estado and at various times director of YPF, has estimated that Argentina, by building pipe lines and developing proved fields, could become self-sufficient in petroleum within three years. He estimated that it would cost \$1 billion, which, amortized over a 20-year period, would amount to \$1.78 billion. He also estimates that the contracts signed with foreign firms will achieve the same goal but at a cost to Argentina of \$7 billion, based on an investment of \$1.6 billion plus \$5.44 billion to be returned to the companies over the 20-year period. Canessa, regarded in his native country as the successor to Mosconi in his devotion to the goal of Argentine economic independence, was fired for his pains by Frondizi a few weeks ago. That his estimate of the staggering cost of handing over his country's oil to the foreign companies is well-founded, is attested by a report in the May 1 issue of *Petroleum Week* that one minor drilling contract just awarded is "worth \$50,000,000." Not to be measured in dollars and cents, Canessa told me in Buenos Aires, is the demoralization which has swept the ranks of the technicians and workers of YPF and Gas del Estado.

Under Canessa's plan for a "crash" program of speedy development, Argentina would have contracted on a fee basis with the various American and European firms which specialize in oil field work. It is known that ENI, the Italian government's oil company, approached Frondizi right after he took office, with a different kind of proposal for a joint Italian-Argentine enterprise, similar to those ENI has sponsored in Egypt and Iran. But ENI, naively, was way too late—the United States firms had beaten it to the punch months before.

Only a dictatorship, hidden behind a façade of democratic forms, could accomplish the denationalization of Argentine oil. Frondizi did not dare submit the contracts to Congress for approval, even though his party dominates that body. When the Oil Workers Federation declared a strike in defense of YPF, Frondizi called in the Army, occupied the union's headquarters and jailed its leaders. The military occupation continues. In the United States press, his ruthless assault on the union was excused because the oil workers were "Peronists and Communists"; the truth is that fundamentally they are union people fighting for their country's interests and representing the overwhelming sentiment of the Argentine people.

The contracts may turn out, after all, to be not worth the paper they are written on. Frondizi's enemies declare them null and void and have publicly warned the foreign companies that these scraps of paper will be torn up if and when Frondizi falls. And that is the crux of the matter—how long will Frondizi last? He has been careful to be generous with the Army officers' pay. Back of him are the big banking firms of Buenos Aires, the importers (a far more important political factor than in the United States), the landowners and employing interests, the big dailies, Wall Street, and the State Department. Opposed to him is the majority of the people. In recent provincial elections, his party got less than 30 percent of the votes and by no means can it be assumed that even a majority of his own party agree with him on denationalizing oil. Quite cynically the news analysts have been saying that Frondizi can save himself only by "strong," i.e., anti-democratic rule, based on the Army. In this grim situation those who remember the tears shed by the *New York Times* and other champions of freedom of the press over the sad fate under Perón of *La Prensa*, the leading daily of Buenos Aires, should note now that *La Prensa* has nothing to say against the suppression of the "Peronist" and Communist press of Argentina, nor does the *New York Times* have a drop of ink to shed. Freedom of the press can be a relative thing.

II

Quite different, but with the same end results, is the situation in Bolivia. The one bright spot in this unhappy country has been the phenomenal success of YPF Bolivianos, the state oil enterprise, in changing that country within a few years from an importer to an exporter of oil. Petroleum is something very near to the hearts of the Bolivian people because of the bloody Chaco war. This hideous jungle conflict was fought, so most Bolivians believe, because Standard Oil wanted to exploit the Chaco under a pliant Paraguayan government. Out of defeat and loss of the Chaco in that war came the expropriation of Standard Oil and the rise of the National Revolutionary Movement which finally seized power in 1952, chased out the tin barons and landlords, abolished the army, and armed the workers and peasants.

Here, certainly, history would imply that never again would foreign oil interests gain a foothold. Actually a good quarter of the country has been handed over to them, including fields proved by

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YPFB and awaiting development. This achievement, perhaps more incredible than the sack of Argentina's oil resources, must stand as a monument to the astute Mr. Henry Holland, whose reputation as the "evil genius" of Latin America seems well merited. Mr. Holland, one-time Assistant Secretary of State for Latin American Affairs under Dulles, having done what he could for the oil interests in that capacity, recently resigned to become a roaming private diplomat of oil. It is said in Argentina, where they should know, that Mr. Holland collects Latin American presidents much as some people collect stamps. He has, of course, had rather formidable assistance, both in Argentina and Bolivia, from that financial galaxy surrounding the International Monetary Fund. For Bolivia is a wretchedly poor country, vying with Haiti for position at the bottom of the ladder, with a per capita income of \$60 a year. Its tin mines are deep and depleted, its people dependent on the coca leaf for narcotic surcease from pain, hunger, and cold. The government, too, is wretchedly poor and badly in need of cash. And where is cash to be found, outside Wall Street? Mr. Holland had the ready answer for Bolivia's needs—hand over the only resource in the country worth ready cash—the petroleum. This has been done.

Perhaps President Hernán Siles Zuazo has as little popular support for his oil policy as President Frondizi, but in the anarchic state of Bolivian politics it is impossible to give election figures to prove it. The Oil Workers Union, the students, and, one would judge, the great majority of the country's intellectuals are bitterly opposed to the sellout of Bolivia's oil, but the country is so poverty-stricken and bankrupt (the boliviano is quoted at 12,000 to the dollar) that some are able to justify President Siles' bargain with the devil. Certainly the ink of comment must be tempered with tears when one considers this tragic land; the more so as the people's own verdict on Siles may be handed down all too soon.

III

Flushed with victories over the peoples of Argentina and Bolivia, the foreign oil companies are now concentrating on Brazil, and with good reason. Here is half of Latin America, in land, population, and resources—a prize worthy of Mr. Holland and his clients. And here is *Petróleo Brasileiro* (Petrobras), another of the successful Latin state oil enterprises, proud of its achievements and potentialities, confident that the Amazon will yet yield the riches suspected to lie in its enormous basin.

Brazil, like all Latin America, is hard up. The balance of payments here as elsewhere is tipped disastrously against it; coffee is a drug on the market, while what Brazil needs costs high. So enter again the International Monetary Fund, the Export-Import Bank, the World Bank, Wall Street—all set for the kill with Petrobras marked as the victim.

But Brazil is big (bigger than the United States minus Alaska), brash in its bigness (a favorite boast—the three World Powers in the next forty years will be the United States, Russia, and Brazil), and so diverse that contrasts are far greater in race, economic development, and social customs than between North and South in the United States. So Brazil has been a tough nut to crack open. The opera bouffe surrounding Clare Boothe Luce's appointment and resignation as ambassador to Rio de Janeiro obscured the deadly earnestness of the Eisenhower-Dulles attempt to place the Time-Life-Fortune queen in a vital embassy. Perhaps without realizing it, Senator Morse saved the life of Petrobras, or at least extended it by a few years, for undoubtedly the wife of America's leading press propagandist could have wielded immense power for the oil companies in whose behalf Luce battles so sturdily.

Because of Brazil's bigness and diversity, it is hard to find unifying forces within the country. The labor movement is undeveloped, the peasantry unorganized, and the financial-industrial community, though powerful, still lacks the prestige which that class enjoys in the United States. So the Army, as the repository of national glory, and the students have become the dominant forces for nationalism. This has resulted in the curious spectacle of colonels and generals standing up for Brazil while the usual landlord-importer-entrepreneur classes worship the Golden Calf. And so Petrobras is an oil company with colonels as managers—colonels in mufti, it is true, and with little of the military air about them as they perform their duties, whether in the head office in Rio, or in the refineries and oil fields. And back of them stand the students, later to become the professionals and technicians of this nation.

Petrobras has its troubles. Most important, it has not discovered the oil which is presumed to lie in rich deposits in the Amazon basin. So Petrobras hired Standard Oil's leading geologist, but he too has been unable to find the oil—a task similar to finding the needle in the haystack when one considers the vast and impenetrable reaches of the world's greatest river. The sizeable fields around Bahia,

under the bulge of Brazil, present another peculiar problem—they produce a paraffin crude which for some reason or other the refineries built by United States firms for Brazil are not equipped to process. So Brazil must sell her crude abroad, at a low price, while paying foreign oil companies some \$250 million a year for imports.

This situation presents a natural for foreign oil companies. The country is hard up; the unfavorable balance of payments can be attributed largely to oil imports (but why necessarily to oil imports and not, say, to luxury imports of the upper classes?); Petrobras has been unable to locate new fields. Ergo—let those come in who know how to find the precious liquid. Petrobras finds the going hard, with the commercial press barking "Failure!" at its heels. President Juscelino Kubitschek is willing to bask in Petrobras' glory, if it has any; on the other hand if the sharks in the sea of oil demand a victim, well. . . .

IV

Chile's successful state oil enterprise also is eyed covetously by foreign oil interests. At least there is no swindle involved in their maneuvering with President Jorge Alessandri, who campaigned on an Eisenhowerian platform pledged to kick the rascals out, balance the budget, and practice austerity. True, he got only 30,000 more votes than his left-wing opponent, and about 30 percent of the total cast, and so the country was not too shocked when President Alessandri demanded extra-constitutional powers in order to carry out the mandates of the International Monetary Fund and the other guardians of financial rectitude in New York.

Aside from copper and nitrates, Chile has oil, down in southernmost Tierra del Fuego. Empresa Nacional del Petróleo (ENAP) pioneered the development of the fields, is expanding a refinery near Valparaiso and prospecting for more oil. The enterprise is a success by any standard, but the New York money experts behind whom the United States oil companies operate, claim that it lacks adequate resources to find more oil. Only the Yankees can find more, along the flanks of the Andes where, on the other side, they are exploiting Argentine deposits. In Santiago it is suspected that President Alessandri's extra-constitutional powers will be used to set aside the petroleum laws and provide for mixed Chilean-United States enterprises to search for oil.

V

Latin Americans may be pardoned their indignation at the constant taunt that only the Yankees can find oil and that only they have the resources to do so. In both Argentina and Chile, state-owned enterprises discovered the oil, and have proved competent in refining it. Because the industry, thanks to the world cartel, is immensely profitable, the state-owned enterprises have found it possible to finance expansion from their own resources. Where these are insufficient, it is entirely practicable to contract loans, as does *Petroleos Mexicanos*. And where extensive exploration requires equipment and technicians beyond the capacity of the state enterprise, it is always possible to have the job done by any of scores of American firms which specialize in that kind of work, on a hire basis.

One could wander afield from the continent in speculating about the matter of technical assistance to underdeveloped countries, but such speculations are apt to lead into forbidden territory, involving as they do the repeated offers of the Soviet Union, Rumania, Poland, and Czechoslovakia to lend a hand. The Eastern-bloc countries are doing exactly that in helping India find more oil, in building refineries and furnishing oil field equipment throughout the Eastern Hemisphere. The terms offered are so attractive as to make the eyes of Latin American oil men gleam, but their governments find them too hot to handle. Latin America is too deeply in hock to Uncle Sam, and too close. As they say south of the Rio Grande: *Pobre Mexico, tan lejos de Dios, tan cerca de los Estados Unidos!* (Poor Mexico, so far from God, so near to the United States!)

VI

Colombia's *Empresa Colombiana de Petr6leos* (Ecopetrol) took over the Standard Oil De Mares concession when it expired in 1951, and has developed a depleted field. The refinery which was part of the concession was leased back to Standard under a curious arrangement which permits that company to sell Colombian oil products at prices based on Texas. This means that Colombians must pay at the rate of \$3 a barrel for products from crude oil produced at a cost of 40¢.

Colombian pro-nationalization forces are demanding that the refinery agreement be ended, that no further concessions be granted, and that Ecopetrol be empowered to expand its operations. The government, an uneasy alliance of the bitterly hostile Conservative

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and Liberal parties, in whose struggle for power 300,000 have died in the past ten years, fears to offend the entrenched foreign companies. It is widely believed that if Colombia exercises its sovereignty, the United States market for coffee will be lost.

In Peru, Standard holds the major oil concession of Talara and is acquiring control in neighboring Ecuador of that country's main field. The Ecuadorean property is notable for being the only oil field in Latin America owned outright, and not by concession, by a foreign interest. It seems that the King of Spain back in the 1600s granted the land to a henchman; somehow it landed in the lap of a British firm in the 19th Century and is now Standard's to enjoy. In neither country is there a state-owned oil enterprise of consequence.

Uruguay is unique in Latin America in that ANCAP (Administración Nacional de Combustibles, Alcohol y Portland) refines all the oil imported. But as in all South American countries, marketing for the most part is handled by foreign firms, a hangover from the 19th Century when no oil was produced in these countries.

VII

Of all the countries south of the United States, Mexico is the only one in which the state enterprise has the sole right to produce, refine, and market. Since 1938, when the foreign companies were expropriated, Petróleos Mexicanos (Pemex), has proved that a state enterprise can master the difficult techniques of the industry, pay its own way, and expand. In addition, it has been a main contributor to the remarkable industrial growth of Mexico by furnishing products at prices far below the world cartel level. Through loans raised in New York, it is now financing a pipeline from the new gas fields of Tabasco to the heavily-populated central plateau, and it is financing other expansion through European loans. These transactions entail no long-term drain on Mexican oil, whatever may be the eventual effect of these and other financial ties which bind the Republic to Wall Street. Such loans could have been made by YPF in Argentina had not the International Monetary Fund and the State Department decided that Argentina had too much petroleum for its own good.

In Mexico, as elsewhere, native reaction joins hands with foreign capital in an unceasing assault on the very idea of a state-owned oil enterprise. The latest proposal is that Standard, Shell, and the rest be sold an interest in Pemex to provide more needed capital. If the camel gets his nose under the tent in this fashion, Pemex will be

doomed as the outstanding Latin example of oil nationalization. At this juncture, with the Mexican government savagely suppressing insurgent forces in the rotten bureaucratic labor movement, friends of Pemex have reason for alarm.

VIII

Last in this survey, but by far the most important, is Venezuela, which produces four times as much oil as the rest of Latin America combined. This country has no state-owned enterprise aside from a promising start in the petrochemical field. But the major parties are agreed that such an enterprise must be created, with a monopoly of the domestic market. President Rómulo Betancourt, like President Frondizi, wrote a book on *Politics and Petroleum*, also a blistering indictment of the policies of the world cartel. So far he has not turned his back on his own book; on the other hand, so long as the cartel controls most of the world's markets, Venezuela will remain essentially a prisoner within the empire of oil, her production and the prices charged for her main natural resources determined not in Caracas but in Rockefeller Center.

IX

The outstanding impression after a four-month trip to the lands to the south of us is the revelation to the visiting Yankee of the high morale, devotion, and competence of those who head and staff these state oil enterprises. In this industry, more advanced in technology than any save the atomic, Latin American administrators, engineers, and technicians have proved their ability. In growing numbers they are being trained in their own universities, although most of the top men have studied in the United States. Most remarkable it is that these state enterprises enjoy a reputation for honesty and capability in countries where corruption in government is an everyday fact of life, where most people, high and low, regard their governments cynically. The complaint that state enterprise must be bureaucratic, inefficient, and perhaps corrupt is belied, in oil, from one end of Latin America to the other.

Rather tragic are the handicaps imposed upon these men by the constant pressure of reaction. Haunting them at all times is the unholy ghost of United States pressure, emanating from the great international companies, Wall Street, and the State Department, crippling them in their endeavors to attain economic independence,

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threatening the very existence of the enterprises they manage. If these men seem "radical," it is only in the sense that they are patriots who want to see the curse of poverty and misery lifted from their lands. They have been forced to think not just as technicians but as citizens; their nationalism is a reflex of the financial "internationalism" of their enemies.

Finally, may it be said that Latin America badly needs a social revolution. Not necessarily a Marxist-type revolution, for the forces do not exist for such, but just a plain old-fashioned bourgeois revolution, to clean out the landlord-importer coalition which keeps Latin America in bondage to both the 18th and 19th centuries, and makes it possible for imperialism to suck out the continent's life blood.

OIL CONCERNS HIT VENEZUELAN TAX Hold New Rise "Unjustified"

Oil companies operating in Venezuela remain somewhat dazed over the tax reform decree of the provisional Venezuelan Government. The move raised by 20 to 25 per cent the levy on petroleum profits. . . .

Since the only item that Venezuela has furnished is the raw material, buried several thousand feet in the ground and in the most inaccessible places, such a share of profits by the Government is considered excessive. . . .

—J. H. Carmical, *New York Times*, January 11, 1959

That's oil they furnish.

New MR Press Book . . .

CONVICTION

edited by Norman MacKenzie

More Angry Young Men? No—the twelve contributors to this book, all under 40, are better described as Thoughtful Young men (also Iris Murdoch, a Very Thoughtful Young Woman). They concern themselves with the question of what's wrong with the British socialist movement and what to do about it. There are lessons in it for all of us.

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FAITH, HOPE, AND ADVERTISING

BY J. WALTER BATTEN RUBICANT

What distinguishes our society in the United States from all others, and from past civilizations, is that we undertake to deliver heaven on earth. In the past, and elsewhere in the world today, acceptance into Nirvana has been conditional upon self-denial in this life. For us, however, consumption has become the highest good, and certainly no celestial residence could come equipped with more bright and accommodating appliances than the middle-class American home.

There has always been a brotherhood which claimed a special knowledge of the rules by which one had to abide in order to crash the pearly gates. These celestial travel agents have been intoning their commercials for several thousand years, and they have enjoyed the advantage of never having to face a dissatisfied customer. Their services were shrouded in mystery, their literature was holy, their person was sanctified, and they practiced a special magic in their offices.

For us, redemption is achieved through consumption, and the priesthood of our religion is the advertising fraternity. Theirs is a heavier task than that of their predecessors, for they must practice their incantations in the vulgate, indeed their language must be clear and persuasive for infants. And their promises must be capable of immediate gratification by calling a BIGelow number, or filling out a coupon, or traveling around the corner to your neighborhood grocer, or Ford dealer, or druggist, or appliance store.

In other times, the priests and magicians insisted that the education of the young was their special province. The advertising men of our day have found a happier solution. For American business spends eleven billion dollars a year on advertising, which is almost exactly the same amount it takes to run all of our public elementary and high schools, and our colleges. There can be no question that advertising is the more effective system of education. Perhaps the school system has become redundant since consumption has become the

This article was sent to MONTHLY REVIEW by a Madison Avenueite with a note explaining, "The enclosed was fluttering about on Madison Avenue, probably thrown out of the window by the editors of Printers' Ink."

highest duty of the citizen, his chief and perhaps his only function. New highways, schools, hospitals, and other public works are kept on the drafting boards as standby projects for the time when the economy slumps. Thus new schools are not built primarily to provide better facilities for our children but rather for the purpose of maintaining consumption. But it is not our purpose to deal with that here.

We are examining the evangelists of the great American heresy, the preachers of plenty, the heralds of the millennium. They have introduced new sacraments which the older faiths are watching with envy, and will probably soon copy. What priesthood in the past has researched its communicants to determine how much chrome they expected on their heavenly chariots, and by how many winged horses they should be drawn? Soothsayers of old looked for guidance into the entrails of a dead pigeon, but our advertising men search the souls and the unconscious of their unfeathered friends to pluck the appeals which will persuade the consumer to buy.

Some mysteries remain, but in this new revelation the work of the brotherhood must be seen and heard, every word of it. That is why, following the practice of earlier sects in America, every consumer is also a lay brother, himself a student, a judge, a critic and an *aficionado* of advertising. It is as though the Strasbourg geese were not only specialists in the theory of forced feeding, but extended their concern to the quality of *pâté de foie gras*.

The hymns of our faith are the singing commercials, and so devout are our consumers that from babyhood they hum and whistle and sing the tunes. In time, no doubt, great symphonies will be written "on a theme by Pepsi-Cola" and contrapuntal works based on the musical phrases of competing cigarettes.

In all the societies of which we have record, the old, the tired, the traditional, the past, had a special sanctity. But for our dispensation, the advertising brotherhood has discovered the efficacy of the "New!" The age-old conception of a static other-world with its timeless splendors, its eternal harping, its slow increase in population, has been superseded by the doctrine of high-speed flux, at a rate no Attic philosopher ever conceived. Ours is the suburban heaven in which obsolescence is hastened and consequently none of the faithful need suffer from the boredom of the older model Valhalla. If the production man's ingenuity or the skill of the scientists cannot create a truly new product, the advertising men can always fortify that tooth paste with VD-606 and a new jingle, "Nana tastes good, like

a—clap! clap!—prostitute should.” And promptly little boys rush on television screens yelling, “Look Mama, no cavities!” And a new dimension is added to our bliss, a new beatitude to our heaven. This is the magic of advertising.

Of course, advertising does borrow from bygone religious practices. It has rediscovered the appeal of the Mother and Child for the sale of countless products. Aside from Michelangelo and Tintoretto, few artists of the past attempted walls and billboards so large as those the advertising men now decorate. And it should be added that ours is a faith in which Purgatory is precisely located behind the Iron Curtain, thus only good cheer and pleasant color coordination illuminate our advertising. Saving stamps are doubtless descended from the certificates of indulgence, which also promised safe entry into heaven, but without the four-color illustrations of the luxuries which filled books of stamps provide in this life. Illustrated catalogs, in fact, appear in the past to have been reserved for renditions of the tortures in Hell.

What makes our faith so endearing is that we have eliminated greed and gluttony from the catalog of vices and put the envy of our neighbors among the virtues. Nor are we a selfish people. By disposing of the “standard of living” concept and substituting for it the “standard of consumption” we can declare to all the world that the more we consume the better other peoples will live. The story is undoubtedly apocryphal, but I have been informed that a great business association has ordered a masterpiece from a contemporary Daumier to illustrate our philosophy. It will show all the dispossessed and hungry peoples of the world sitting in an enormous grandstand, and in the arena are the Americans. The spectators are cheering us on to consume more and more, and thereby increase our beneficence to them. This work will probably hang in the White House.

What has not hitherto been given the credit it deserves is the unselfishness which the advertising men have imposed upon business itself. To the uninitiated, it would appear that each enterprise promotes its own products to the detriment of its competitors. But advertising is the preachment of our way of life. That is why the brotherhood has developed a theology in which each advertiser benefits his competitor. This is done by proclaiming the virtues of every product in superlatives, yet making them pretty much the same. Thus the consumer cannot go wrong when she buys Kellogg’s Corn Flakes instead of Post Toasties, or Spry instead of Crisco. Furthermore, all the

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advertisers together combine to sell the products of a competitor.

This can be most clearly seen in the selling of automobiles. At the beginning of each season, all the manufacturers bend every effort to sell the idea of buying a new car. True, each suggests his own. But the consumer, having been converted, then proceeds to purchase only one car. Thus, all the other manufacturers have cooperated in making that sale. This is the new interpretation of Charity.

The advertising appropriation is the Peter's Pence of our time. Just as, in the Middle Ages, the communicants could not measure the value received from their contributions, so the manufacturer has relatively little notion of exactly what his expenditures bring him. True, the common folk of medieval times could see the splendid palaces of the bishops and popes, the towering spires of the cathedrals. So, today, the American consumer feels a singing in his heart when he beholds the cathedrals of commerce and the sprawling factories.

But lest the message of advertising grow humdrum and the faithful inattentive, the brotherhood has borrowed the technique of revival meetings, with their "crash programs" and their saturation advertising campaigns. The rest of the world may have to suffer without Lestoil and Mr. Clean, but Americans are receiving the gospel of the detergents many times a day. Why go to an obsolete heaven when your soul can be "whiter than white" on earth?

Contrary to all other faiths, advertising preaches to every man his own great worth and it shows him how to enhance it. The hair oil that wins feminine acclaim, the automobile that startles the neighborhood into recognizing a new social leader, the dishwasher that turns mama into a regal hostess, all are part of the American system of beatification in this life.

Obviously, then, advertising has made us the Chosen People and has given us the benchmarks by which we can judge all others. Though the holy places of all other creeds may be encrusted with jewels and domed with gold, their followers live poorly. With us, the faithful have their own sanctuary bathroom, their own kitchen altar, both elaborate beyond the dreams of the infidels. Secure in our righteousness, we now carry these symbols of our faith even into the Soviet Union. For what can better convince even those benighted people of our superiority?

Now, in fact, American advertising is spreading throughout the world. American trade marks are becoming the symbol of that eternal prosperity which is our heritage. This is the great crusade of our

time, for as these brands are carried into the continents of the impoverished, they too will see the light. For only by buying advertised American products can they raise themselves from their depths and join that happy company of tattooed men and high-busted women who fly, eternally young, in the American heaven that advertising made.

WORLD EVENTS

By Scott Nearing

Very Important People

Time out of mind certain people have proclaimed their own distinction and demanded the recognition and acclamation which are among the coveted perquisites of importance. Since 1918 spokesmen for the United States have insisted upon V.I.P. treatment for Americans in the American Century. Typical of this viewpoint is an article "Why Latin America is Vital to Us" in the Magazine Section of the *New York Times* of Sunday, April 26, 1959. Herbert L. Matthews, the author, justifies the title of his article by asserting: "Latin America is of enormous—perhaps even vital—importance to our continued existence as a free and prosperous nation."

"About one-quarter of all our exports go to Latin America and one-third of all our imports come from the area. United States private investments in Latin America now reach the amazing total of \$9.5 billion." "Without bases in the Caribbean Islands and without the Panama Canal, the United States would be wide open to invasion." "Subtract the votes of the twenty Latin-American nations from our side in the General Assembly of the United Nations and where would we be?" "At every point it has to be said: 'If we did not have Latin America on our side our situation would be desperate.' To be denied the products and the markets of Latin America would reduce the United States to being a second rate power."

Matthews cannot claim Latin America by right of discovery as the Spanish and Portuguese did four centuries ago. He makes his claim to Latin America under the law of necessity.

Certain difficulties stand in the way of an easy take-over. "The

area is passing rapidly from an underdeveloped agrarian and mineral economy into an industrial revolution. The strongest feature of Latin American affairs today is social revolution, to which, in recent years, is linked the tidal wave of democracy that swept most of the region's dictators away. . . . Such an area . . . is potentially a fertile field for communism."

This, in essence, is the argument that Mr. Matthews advances to prove that "Latin America is vital to us." He notes, in passing, that while we number 175 million, there are 185 million Latin Americans. By comparison with them we are a minority, while they are a majority. Yet he does not suggest that the majority should decide what it wants and then proceed to convert the decision into action. This is no democratic crusade which Mr. Matthews, a member of the *Times* editorial board, is leading on behalf of United States exporters, importers, and military strategists. He is staking out his claim to Latin America because without it the United States would be reduced to the level of a second-rate power.

United States strategists have staked out other claims under the law of national defense and survival. The approaches to the North Atlantic are controlled by air and naval bases in Iceland, the British Isles, France, and Spain. Powerful naval units patrol the waterways, making the Atlantic an American ocean. Similarly, the approaches to the immense petroleum reserves in and around the Mediterranean Basin are covered by American military bases and protected from interference by the powerful American Sixth Fleet. United States defense lines sweep across the Pacific, with military bases scattered over the ocean and concentrated in the island chain running from Alaska to Singapore which dominates the eastern approaches to the Asian land mass, and makes the Pacific another American ocean. Less than two hundred million people live in Latin America. There are more than a billion people in Asia, which is spotted with United States bases in Turkey, the Near and Middle East, Pakistan, Taiwan, and South Korea. The same law of necessity which sucks Latin America into the vortex of United States economic and military control applies with equal validity to West Europe and important parts of Asia and Africa. In seven league boots, since the seizure of Puerto Rico, Cuba, Hawaii, and the Philippines during the closing years of the last century, Very Important People living in the United States have used their wealth and armed might to reach around the Northern Hemisphere. A hundred years ago such procedures would have been

dubbed imperialism. Today, as Mr. Matthews demonstrates, they are among the essential ingredients of the American Way of Life.

The Brave New World

Through many years we have been telling anyone who would listen that the revolution of our time is undermining and downgrading capitalism and opening up the path for socialism in much the same way that a previous revolution downgraded feudalism and opened the way for capitalism. During our recent study trips in Europe and Asia we had a good look at capitalist breakdown and socialist construction.

Returning to the United States chock-full of news and views on these vitally important matters, we ran against a wall of almost total obstruction. We were eager to report our observations and conclusions about the many countries we had visited, and especially the USSR and People's China. The press, the magazines, the lecture platform, the academic rostrum, radio and television, with very few exceptions, were closed to us. We wanted to tell our fellow citizens of the hopeful and wonderful things we had seen and heard. Our voice reached only a corporal's guard, most of whom already agreed with us.

Imagine our delight, one morning late in April, when we picked up the paper and read in headlines that streamed halfway across the front page: "Soviet Building a New World in Siberia." The author, Max Frankel, was reporting on a tour of Siberia and the Soviet Far East. Here was news of the brave new world which could not reach the people over our name, but it did reach them just the same. It was the good news that it was important to get across, not the name of a Marco Polo.

Frankel's first article appeared in the *New York Times* of April 27, 1959. "From the Urals, where Asia begins, to the Bering Sea where Alaska ends, in an enormous land mass more than one and a half times the size of the United States, are riches beyond the dreams and reach of former conquerors, in climates beyond the endurance of the timid. . . . Soviet Communists have come to recognize Siberia as a vast treasure chest, the key to their dreams of plenty and of enduring world power. . . . In the next seven years, Moscow will devote to Siberia 4 out of every 10 rubles it has to invest. Dams that will produce twice as much power as Grand Coulee, coal and steel beyond the vision of the Ruhr—these are now not dreams but projects."

In Siberia "there seems to be everything: cheap and immense water power, coal, iron ore, lumber, aluminum, gold, tungsten, nickel, cobalt, salt, mica, graphite, asbestos, newly discovered diamonds, and miles and miles of nothing waiting to be asked what they have to offer." "Already blue-printed for Siberia are powerful steel mills, huge dams, a chemical industry with oil refining and gas development to feed it, electric railroads and new highways."

"What the area needs is people, especially skilled people." (Presently there are only twenty millions in the whole of Siberia.) Then he describes some of the people he met. "A shawled, frail woman herds passengers aboard a plane in the middle of the Siberian nowhere, shouting: 'Let's go, comrades, you are Russians. Let's hurry, we must be first, first in everything. Save time, hurry, we must be first!'"

Frankel writes: "Heads are held high." He senses "exhilarating momentum." The men and women around him "radiated warmth and pride and hope." (That is going as far as we did in our 1958 book, *The Brave New World*.) "If there is confidence at the top of the hierarchy, it is a reflection of the hope below." Said an airplane mechanic: "Suddenly people have money, energy and time. Everyone wants a refrigerator. Everyone is having a suit made. Yes, facts are facts and we are building. Let there be peace; give us 20, 25 years, and you'll see how we live!"

In the April 28th issue of the *Times*, Frankel continues his paean. "Throughout Siberia there is pride and hope. . . . Optimism despite hardship. Opportunity despite nature's limitations."

Iosif A. Drits, the principal of a Secondary School in Irkutsk, enthusiastically tells of a new annex being built and how the students pitch in with the building. His school's speciality is electronics. "In the hall is a plaque bearing the names of the school's gold-medal (A-average) students of the last twelve years. The principal looks over the list and comments on every name: he is in the Antarctic, he is a satellite tracker, a party worker in Leningrad, a doctor here, a scientist, a geologist up north. Mr. Drits smiles. 'They all write often and don't forget us'."

In Chita, further east, "the pattern of progress is the same as in Irkutsk": building and enthusiasm everywhere. Students of a six-year medical college are helping build a 25,000,000 ruble campus. Four of every five of the 1,200 students get monthly stipends of 300

or 400 rubles "depending on need and ability." "After graduation, the young physicians can expect starting salaries of 700 or 800 rubles a month. . . . They seem ambitious, courteous and proud." "Up on the hill, in the new sports compound among the evergreens, are a new wooden stadium for 15,000, courts and rinks, a gym and a busy modest swimming pool. The cement is already poured for a new Olympic-size pool, with grandstand and all."

Yakutsk, too, north on the Lena River, "is building for a future with its discoveries of diamonds and the promise of natural gas." "Work on a 50,000,000 ruble university campus will begin this year. But the training of teachers, doctors, physicists, geologists, linguists, engineers, veterinarians and botanists in the newest and most northern Soviet university is not deferred. For three years, the 1,428 students, including 829 Yakuts, and a faculty of 156, have been meeting wherever there is available space. The projected classroom building, for 2,500 students, will be the largest in Yakutsk."

Max Frankel's impressions of life and people in Siberia will be a surprise to many readers of the *Times* but not to anyone who has visited the USSR lately. Frankel typifies the spirit he found there in a poignant meeting with a drunkard, the first beggar he had met in two years in the Soviet Union. The stumbling little man in padded jacket and knee-high boots pled for money for medicine. Frankel said, "I can't help you. Besides, I'm a stranger here."

"A stranger? From where?"

"The United States."

"His bombshell dropped, the foreigner walked briskly away. But a moment later there was a firm hand on his shoulder and the same, now more sober voice, whispering: 'You must not go away thinking things are like this with us. It is only I. It is only I'. . . . 'Just how high heads are held in Siberia,' said Frankel, 'had to be demonstrated by a drunkard.'"

Notes on Chinese Communes

Efforts of five hundred million Chinese to build communes in the countryside continue to challenge world attention. This month we have some notes from Anna Louise Strong, who is studying the subject on the spot.

She differentiates between the early communes in the USSR which tried to go immediately to full communal living. "Here they do not. They emphasize the 'wage system' and state that wages must

increase faster than free supply, but not as fast as accumulation funds. In other words, they are not starting with the 'according to needs' but moving towards it. The second difference is that a commune here is an organ with state power, which certainly no communes had in the USSR. The inclusion of industry, trade, education, local administration and defense makes it an attempt at 'socialism in one township,' aided, of course, by the country. It incites a high initiative: saying to the people in a township 'All the resources are yours to develop as fast as you can.' Instead of trying maximum centralization of everything as in the USSR, it tries maximum decentralization."

"The question of the family does not arise with the sharpness assumed abroad. Commune members resent the statement that they 'break up the home.' So far, the new bride goes as of old to live with her parents-in-law. The chief change being that the old man no longer gets all the family earnings. These go to the workers who earn, while the old man gets his free food from the commune. So far most children come home at night. Nurseries and kindergartens to the number of almost five million were organized last year, but mostly day nurseries, though there are some that take children to board. Even the new housing projects include small kitchens, for 'people like to cook at home on holidays if they don't have to do it all the time.' So far marriage is serious, monogamous, and with little divorce. However, the allegiances of work and community become dominant, and home ceases to be the economic unit, with results that will doubtless grow."

"To me, the real excitement is the terrific economic dynamism communes produce." She cites one commune near Canton. It built, within a few months, eight paper mills. You and I think of paper mills as big. Not necessarily. Total investment for all eight was under 10,000 yuan or \$4,000. . . . The reason they had eight of them was that their territory was large, the mills were for the purpose of getting income from rice straw and bamboo waste, and it was cheaper by far to build extra mills than transport rice straw and bamboo waste. It was hand labor, with 85 workers in all, and they expected to make about \$100,000 a year from sales of paper, besides having all the paper they needed for themselves. . . . They also had a power station, put up on trial. They are building twenty more, on the one commune. Why so many? Because it was cheaper to make many than to string high tension wire."

CHINESE ECONOMY AND ECONOMICS

BY PAOLO SYLOS LABINI

The following excerpt from a personal letter to one of the editors is published with the writer's permission. It reflects impressions gained on a two-month visit to China last fall with an Italian delegation. Mr. Sylos Labini is Professor of Economics at the University of Catania, Sicily, and one of the outstanding members of the postwar generation of Italian economists. He has studied at Harvard in this country and Cambridge in England, and is the author of an important study *Oligopolio e Progresso Tecnico* (Ologopoly and Technical Progress) which is now being translated into English and will be published by the Harvard University Press.—The Editors

In China we were in Peking, Paoting, Sian (in the heart of China), Wuhan (four million inhabitants, on the Yangtse); after Shanghai, Canton. We visited universities—where I talked with many economists—factories, rural communes, schools, etc.

I had a long conversation with the Director of the Research Bureau of the Central Planning Commission and with many officials of the provincial planning commissions. It is impossible to give my impressions in detail; the picture is very complex. Telegraphically, I am convinced now that economic development is really exceptionally rapid as the Chinese claim, and not only in industry but also in agriculture. The standard of living is of course low—very modest—but there is no more starvation. With the speeding up of development (and the two things are related), the rule of the Party has become harder. Now, after the "rectification campaign," there are no more "hundred flowers"—there is, I think, only one flower. Some social strata, especially certain intellectuals, have seriously suffered because of this policy, I believe, although probably not the majority of the population.

Rural communes, at this stage of development, are vital. I mean that they fulfill an important function, that of allowing a big increase in the productivity of agriculture, with best use of scarce capital goods, through the organization of labor brigades that are active during the whole year, thus eliminating seasonal unemployment and underemployment in agriculture and making full (though not necessarily always most economical) use of labor. With a concentration of these brigades they can accomplish big construction works like dikes, irrigation projects, land reclamation, and so on. It is an in-

credible spectacle to see the thousands and thousands of men and women toiling on these projects. Urban communes, on the other hand, appeared to me to be artificial organizations, without vitality. After we got back home we learned that they have been put aside for the present. The organization of these labor brigades and the mobilization of women no doubt mean "regimentation."

Little room is left for family life: meals are taken collectively in the (very modest) canteens of the communes or factories, and children are taken care of in the kindergartens. But of course one has to compare the present situation with family life as it was in the past. As late as 1951, the Italian vice-consul in Hong Kong saw, in Nanking, corpses of babies thrown into the garbage by parents who were unable to support them.

There are three main topics discussed by the economists: (1) Theory of value, with special emphasis on whether it applies to a socialist economy or not (by "theory of value" as a rule they mean no more than the platitude called the law of supply and demand). I consider these semi-metaphysical exercises a regrettable waste of time: I discussed this question with some economists and told them my opinion. (2) Curiously enough, a criticism of Keynes, on which subject books and many articles have appeared. The reason: many teachers, officials, and even students are "return students" who have stayed in Anglo-Saxon countries and have been and still are under the influence of the Keynesian doctrines, which "superficially appear very similar to the Marxian theory"; "that is why we have to eradicate Keynes's influence." (3) Economic and technical problems of a planned economy. Here there are two kinds of works. First, theoretical works, unfortunately rare. I was interested to learn that in the Research Bureau of the Central Planning Commission they are now studying the Leontief [Professor Wassily Leontief of Harvard] system "to see whether it can be of help to us from a technical standpoint." Second, descriptive works concerning individual industries, the application of the directives of economic policy, and statistical inquiries.

On the whole, I was much impressed by the seriousness and the intensity of the effort the Chinese are making, and by the strong moral—even puritanical—atmosphere. In China I very often felt a remarkable "human heat"—it is difficult to explain better. They are starting from zero—or even from below zero. Their development is extraordinary.

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(continued from inside front cover)

officially published in September at which time the price will be \$4. If you order now, however, you can get the book at the special prepublication price of \$2.50, and it will be sent to you well in advance of publication date.

Following the precedent of the last two years, the next issue of MR will be a special double number for July and August. The subject will be the "new capitalism" about which so much has been written in the last few years. We already have in hand articles on how the American version of the new capitalism looks from abroad (by Ralph Miliband) and on the role of science (by Philip Morrison). The editors will contribute analyses of income distribution (Leo Huberman) and the literature of the new capitalism (Paul Sweezy), and articles have been promised by outstanding authorities on new styles in capitalist empire and on the effect of advertising on culture. We believe that this special double issue will make an important contribution to understanding present-day American society, and we hope that you, our regular subscribers and readers, will do what you can to see that it gets a specially wide distribution.

More than six hundred people came to MR's tenth birthday party at the New York Center on May 19th. Dr. J. Raymond Walsh, Chairman of MR Associates, did a grand job as master of ceremonies. The featured speakers were Professors Stanley Moore and Paul Baran who talked respectively on "Marxism and Culture" and "Marxism and Psychoanalysis." The editors were briefly introduced, and gifts in token of appreciation for devoted service to the magazine were presented to staff members Gertrude Huberman, Sybil May, and Catherine Winston. The proceedings wound up with a lively discussion period which, but for the necessity of evacuating the hall at 11 o'clock, would probably have gone on into the small hours of the morning. As editors and nonspeakers, we enjoyed the occasion enormously and are now looking forward to MR's second decade of existence. This is a case, we believe, where the first ten years are the hardest. By 1969, we are confident that circulation will be greatly expanded and the ideas for which MR stands will have gained widespread acceptance here in the United States as they already have in most of the rest of the world. We thank all of you for making ten years of MR possible and bespeak your continued support and cooperation in the future.

Here are excerpts from two recent letters which we particularly appreciated. The first is from a graduate economics student at one of the country's largest universities: "Without groping for too many superlatives, let me say I think you are doing a magnificent job! While it is fairly simple to write periodically in a doctrinaire fashion about world problems, this sort of approach hardly tends to bring the more thoughtful into 'the fold.' In warming contrast, your Review is a constant source of inspiration to at least one student, and I'm sure for many others of different strata in America today." The second letter is from a biology teacher at a middle-sized university: "1. All friends who read the Bettelheim China article were 'inspired' by it—found it thoughtful and thought-provoking. 2. I found the May editorial excellent. 3. The Sunday May 17th *New York Times* magazine section carries a beautiful case for socialized medicine under the title 'A Doctor Diagnoses Soviet Medicine.'"

The article on Soviet medicine, by the way, is by Dr. Leona Baumgartner, New York City Commissioner of Health, and was written on the basis of a five-weeks trip to the Soviet Union looking into all aspects of the Soviet medical system. We entirely agree with our correspondent that it adds up to an overwhelmingly convincing case for socialized medicine—the more convincing because that is not what Dr. Baumgartner intended it to be.

POWELL-SCHUMAN CASE

"A serious threat to fundamental liberties."—*American Civil Liberties Union of No. California, concurred in by national ACLU.*

"One of the crucial civil liberties cases in this country today."—*Monthly Review.*

"Stemming from the miasmatic political atmosphere of the cold war, the charges are without substance and should be dropped."—*The Nation.*

(The above comments were made on the "sedition" indictment against the Powells and Schuman.)

Q. Who are the defendants?

A. John W. Powell, Sylvia Campbell Powell and Julian Schuman, American editors of *China Monthly Review*, published in Shanghai from 1917 to 1953.

Q. What are they charged with?

A. First, "sedition." When this brought a mistrial, "treason" was added—more than six years after the alleged offense.

Q. On what ground?

A. Because of what they thought, wrote and published in criticism of American conduct in the Korean conflict.

Q. How can this happen in the United States?

A. The harassment of the Powells and Schuman began in 1954, at the height of the McCarthy Era. They were indicted at the behest of two notorious witch-hunt Senators now no longer in Washington, under an Attorney General no longer incumbent. It is obvious that this long-drawn-out prosecution of American journalists for the "crime" of outspoken dissent is contrary to the announced principles and policies of our present government.

What Can Be Done?

Believing that it would afford welcome support to responsible Government leaders in discarding a damaging error inherited from a less sober time, we urge you to write your Senators, your Congressman, and Attorney General William P. Rogers in Washington, suggesting that the prosecution against the Powells and Schuman be withdrawn.

Charles Mattox, Treasurer
Powell-Schuman Defense Fund
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